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"Ours are the plans of fair, delightful Peace,
"Unwarp'd by party rage, to live like Brothers."

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NATIONAL CURRENCY.

The Secretary of the Treasury has lately made to Congress, a very luminous Report on this subject, in conformity with a resolution submitted to him near the close of the last session of Congress. The whole report would occupy more room than can be spared in a weekly paper; but we cannot forbear giving to our readers his observations on substituting a National Currency, in aid of our slender and uncertain stock of Specie. They are as follow:

"Having considered the nature and extent of the variations in value, to which a metallic currency is necessarily subject, it remains to examine, whether it is practicable to devise a system by which a paper currency may be employed as the standard of value, with sufficient security against variations in its value, and with the same certainty of its recovering that value, when, from any cause, such variations shall have been produced. It is distinctly admitted that no such paper currency has ever existed. Where the experiment has been attempted through the agency of banks, it has invariably failed. In both cases, instead of being used as a mean of supplying a cheap and stable currency, invariably regulated by the demand, for effecting the exchanges required by the wants and convenience of society, it has been employed as a financial resource, or made the instrument of unrestrained cupidity. In no case has any attempt been made to determine the principles upon which such a currency, to be stable, must be founded. Instead of salutary restraints being imposed upon the monied institutions which have been employed, the vital principle of whose being is gain, they have not simply been left to the guidance of their own cupidity, but have been stimulated to excessive issues, to supply deficiencies in the public revenue. This is known to have been the case in an eminent degree, in the experiment which has been attended with most success. The issues of the Bank of England, on account of the government, were frequently so great as to destroy the demand for discounts by individuals. In consequence of these excessive issues, the interest of money fell below five per cent. the rate at which the bank discounted; the demand for discounts at the bank therefore ceased. It is, indeed, not surprizing that no sympathetic effort has been made to restrain excessive issues.—In the case of banks, the experiments which have been made were intended to be temporary; they were the result of great and sudden pressure, which left but little leisure for the examination of a subject so abstruse. The employment of a paper circulation, convertible into specie, the favorite system of modern states, having, as has been attempted to be shewn in a previous part of this report, the inevitable tendency to produce the necessity of resorting in every national emergency to paper, not so convertible, imposes upon those, who are called to administer the affairs of nations, the duty of thoroughly examining the subject, with a view, if practicable, to avoid that necessity. If the examination does not result in the establishment of a paper currency, unconnected with specie, it may lead to the imposition of salutary checks against excessive issues, when the necessity of suspending payment may occur.

It has already been said, that every attempt which has been made to introduce a paper currency has failed. It may also be said, that of all the systems which during the discussion of this interesting subject, both in Europe and the U. States, have been proposed, none are free from objections. It is possible that no system can be devised, which will be entirely free from objection. To ensure the possibility of employing such a currency with advantage, it is necessary:

1. That the power of the government over the currency be absolutely sovereign.
2. That its stability be above suspicion.
3. That its justice, morality, and intelligence, be unquestionable.
4. That the issue of the currency be made not only to depend upon the demand for it, but that an equivalent be actually received.
5. That an equivalent can only be found in the delivery of an equal amount of gold or silver, or of public stock.
6. That, whenever from any cause it may become redundant, it may be funded at an interest a fraction below that which was surrendered at its issue.

1. This proposition needs no elucidation. Coinage, and the regulation of money have, in all nations, been considered one of the highest acts of sovereignty. It may well be doubted, however, whether a sovereign power over the coinage necessarily gives the right to establish a paper currency. The power to establish such a currency ought not only to be unquestionable, but unquestioned. Any doubt of the legality of the exercise of such an authority could not fail to mar any system which human ingenuity could devise.

2. A metallic currency, having an intrinsic value, independent of that which is given to it by the sovereign authority, does not depend upon the stability of the government for its value. Revolutions may arise; insurrections may menace the existence of the government: a metallic currency rises in value under such circumstances; it becomes more valuable, compared with every species of property, whether moveable or immovable, in proportion to the instability of the government. Not so with a currency; its credit depends, in a great degree, upon the confidence reposed in the stability of the authority by which it was issued. Should that authority be overthrown by foreign force or intestine commotion, an immediate depreciation, if not an absolute annihilation, of its value, would ensue.

3. It might, however, be saved from such destruction by a well grounded confidence in the justice and intelligence of the government which should succeed that which had been overthrown. The history of modern times furnishes examples that are calculated to inspire this confidence. In France during the revolution which has just terminated, the public debt was reduced to one-third of its amount. The same rule was applied to the public debt of the Dutch Republic, when it fell under French domination.—In the successive political changes to which France has, since that period, been subjected, the public debt and the public engagements have been maintained with the strictest good faith. In Holland, that portion of the public debt, which had been abolished by the French government, has been restored. In the opinion of well informed men, however, the conditions connected with that restoration were so onerous as to render it almost nominal. Indeed, the public debt in that country had become so disproportionate to the means of the nation when deprived of the resources it enjoyed when the debt was contracted, that the reduction which it underwent while the country was annexed to the French empire was not generally considered an evil. The reduction of the national debt of France during the revolution, was perhaps equally indispensable. If the intelligence of the age, and the influence of public opinion, even in states where the reign of law was but imperfectly established, have been sufficient to induce the governments which have alternately succeeded each other for the last twenty-five years, in France and Holland, to respect the public engagements which had been previously contracted, well grounded expectations may be cherished that the period is rapidly passing away when the public faith of nations can be violated with impunity.

If public engagements, under such circumstances, have been considered obligatory upon those who have successively administered the affairs of those nations, a reasonable confidence may be reposed in the fulfilment of the obligations which may be contracted by existing governments, where the reign of law is firmly established. It is not denied that a paper currency furnishes strong temptations to abuse. Millions may be issued in a few days; and the deficiencies in the revenue promptly supplied, if the condition of receiving an equivalent is abandoned. The moment the currency shall be issued as a financial resource, depreciation will follow, and all the relations of society will be disturbed. If the government of the nation, in which a paper currency has been established, shall be deeply impressed with this truth, will it not be restrained from the apprehended abuse? Currency of every kind is liable to great abuses. The history of the coinage of every nation whose annals are known, is little more than a detail of the frauds which have been practised by governments upon the people; until the twentieth year of the reign of Edward the III. of England, a pound troy of silver of standard finenesss, and a pound sterling, were synonimous terms: twenty shillings sterling being, in fact, a pound-troy of standard silver. Change followed change, in rapid succession, until in the reign of Elizabeth, a pound-troy of standard silver was directed to be coined into sixty-two shillings. This immense change in the value of currency was effected in the space of about two centuries. In other modern states, during the same period, changes not less important occurred in the coinage. Frequently, these changes were effected by deteriorating the standard fineness of the coin. For more than a century past, the coinage of the civilized world has undergone no material change with a view to the practice of fraud upon the people.—Whether this forbearance is to be attributed to an improvement in the morality of modern governments, or to a more correct understanding of the principles of currency and of the consequences that must result from every change by which the relations of society are affected, it furnishes just ground of expectation that they will not hereafter be attempted. Nothing more is necessary to secure an unalterable adherence to the maxims upon which it is manifestly necessary that a paper currency must be founded in order to preserve an uniformity of value, than the same morality and the same intelligence. Without assuming the principle of the perfectibility of human nature, the hope may be indulged that the nature of currency will continue to command the attention of statesmen, and that the abuses which have resulted from improper changes in the currency will not again occur in the same degree.

4. When the currency is metallic, no addition can be made to it without giving an equivalent. It is indispensable that this condition should be annexed to the acquisition of the paper currency, preliminary to its entering into circulation. If it can be put in circulation, only on paying its nominal amount in that which has a general and fixed value, determined by the consent of other nations, it will continue to preserve that value during the time it circulates, unless the relation which it bore, at the time of its issue, to the quantity of articles, the exchanges of which it is destined to perform, shall be varied.

5. As a paper currency is issued upon the national credit, the whole property of the nation is pledged for its redemption, whenever, by any circumstance, it may become the interest of the community, that it should be redeemed. It is, therefore, manifest that it should not issue upon the credit of any individual, or association of individuals. A part can never be equal to the whole. The credit of any individual, or association of individuals, cannot be equivalent to that of the nation, of which they form a part.—But it may be said, that, although the credit of individuals is not equivalent to the credit of the nation, yet, an equivalent for a particular portion of that credit, may be found in the pledge or mortgage of property of equal or greater value than the currency issued upon it. This may be true; but the value of property has been continually fluctuating: it will continue to fluctuate, after giving to the advocates of a paper currency full credit for the superior stability which they suppose, will attend its substitution for gold and silver, as the standard of value. But this is not the only objection to the acceptance of property as a pledge for the payment, by individuals of an equivalent for the paper currency which may be advanced upon such pledge. Frauds will be practised by pledging property which is encumbered, which it would be extremely difficult to detect. The government will be involved in endless litigation with individuals who are interested in the incumbrances by which its rights to the property pledged is embarrassed. In such contests, the interest of the government is always endangered, even where right is on its side. It is not qualified to enter into such litigations, with an equal chance of success. The feelings of the community are always, except in flagrant cases of fraud, upon the side of an individual supposed to be struggling with the overwhelming influence of authority. Besides, in all contests of this nature, something of the respect for the government, which ought to be cherished by the citizens, especially of a free state, will be lost. The situation is invidious, and ought not voluntarily to be assumed by a government jealous of its dignity and purity of character. It is believed that a national currency cannot be issued with safety, with a reasonable prospect of success, and with sufficient security against redundancy, but in exchange for gold and silver of a definite standard, or for the public stock at certain fixed rates. When issued in exchange for them, and for them alone, there is, though not the same, yet perhaps an equal security against redundancy as in the case of a metallic currency. When it is issued in exchange for coin, there is no addition made to the currency. When it is issued in exchange for public stock, commanding, previously to the exchange, its par value in coin, the party who acquires the currency parts with that which was equal to specie, and is deprived of the annual interest which it produced. Unless the interest of the currency, resulting from its scarcity, should exceed that paid upon the stock, it would not be demanded in exchange for the stock. In either case, the danger of redundancy is extremely remote. By the exchange of specie for currency, the active capital of the country will be increased to the amount of the currency; and the capacity of the nation to redeem it, whenever it shall, by any circumstance whatever, become expedient, will be unquestionable.

But it may be doubted whether, under such conditions, a paper currency ever can be put in circulation. Under a government firmly established, conducted by upright and enlightened councils, and possessing absolute power over the currency, it is believed there is no just reason to apprehend a difficulty of that nature. If, in such a government, banks existed, deriving their powers from it, the specie in their possession would be gradually exchanged for the paper currency which would become the basis of their operations. Not only the specie which they possessed would be thus exchanged, but exertions would, from time to time, be made to acquire the sums necessary to support their banking operations. Specie would be imported, even at an expense, for the purpose of being exchanged. Whilst specie formed the basis of the operations of banks, its importation could not fail to be productive of loss. Each importation not only produced the necessity of additional importations, but at an increased expense. But, when importations shall be made for the purpose of being exchanged for the currency, the exportation of the specie thus imported will not affect the operations of the banks. It is only when the funding of the currency shall commence, that they will be admonished to desist from further importations. Individuals and banks would likewise exchange public stock at the rates prescribed by the system for the paper currency. Whenever the demand for currency should be such as to raise the interest of money considerably above that produced by the public stock, it would by banks and individuals be given in exchange for the currency.—But the facility which the existence of a public debt furnishes in procuring the paper currency, is counterbalanced by the difficulty of complying with the public engagement to discharge such debt in a metallic currency. After a paper circulation shall be substituted for gold and silver, they will be found in the country only in the quantity demanded for manufactures, and for such branches of commerce as are entirely dependent upon them. A considerable demand for gold & silver by the government, to meet its engagements, previously contracted would raise their price in the market, and render the obligation to discharge those engagements in the precious metals not only extremely onerous, but, perhaps, sometimes impracticable. In such a state, a compromise with the public creditors would seem to be a preliminary measure. This under any circumstances, would be a measure of great delicacy and difficulty, and, in some cases, would probably be utterly impracticable.

6. Whenever, from any cause, the currency should become redundant, the redundancy may be funded at a rate of interest a fraction below the rate of legal interest.

In determining the rate at which it may be funded, due regard should be paid to the rate of interest previously existing in the state. The rate of interest, it is conceived, ought not to depend, and where a metallic currency prevails does not depend, solely upon the amount of currency, necessary to perform, with facility, the exchanges required by the wants and convenience of society. In a new country, where there is but a slight accumulation of capital, the interest of money will be high, notwithstanding there may be even a redundancy of currency beyond what is necessary to effect its exchanges. In such a country, all the objects upon which capital may be employed, except those of the most simple kind, are unoccupied.—The currency necessary to effect the exchanges of its property, moveable and immoveable, will be entirely insufficient to satisfy the demand for capital for those objects. If it should be multiplied, so as to equal that demand, it would exceed the demand for the necessary exchanges of society, and, consequently, depreciate.—Such, in fact, it is believed, would be the consequence of issuing the currency upon individual credit, or upon the pledge of property, as a rate of interest below that previously existed in the state. Any change of the interest of money by law, previous to its having taken place in individual transactions, in consequence of the accumulation of capital, would be unjust, and could not fail to produce serious inconvenience to the community. Admitting the rate of interest in a state about to make the experiment, to be six per cent. then the currency should be issued only in exchange for specie or six per cent. stock, or other stock, according to that ratio. If the currency should, when by any means, a redundancy existed, be fundable at five and a half per cent. interest, the utmost depreciation to which it could be subject would be eight and one third per cent. But it is probable that the real depression in its value would not, at any time, be more than half that amount. Before funding would commence, the public stock, receivable in exchange for the national currency, would be above the rates at which it was receivable. Its issue upon the exchange of stock would, therefore, have ceased. There are, in every community, capitalists, who would rather lend to the government at five and a half per cent. than to individuals at six. The funding of the currency would, therefore, begin before the redundancy would offer any general inducement to that mode of reducing it. The variation to which its value would be subject, would therefore be less than eight and one third per cent. It would be the interest of the government to reserve the right of redeeming the stock created by funding, at its par value; under the condition, however, of redeeming it according to the order of time in which it was created. Connected with this system should be a permission to the banks to purchase public stock, but not to dispose of it, except to the government, at its par or current value, when under par, unless the government should decline the purchase. The currency, upon being funded, should be invariably cancelled. Under a system of this kind, if no other paper was permitted to circulate than the national currency, a redundancy which would affect its value, could only occur by a temporary diminution of the articles which were to be exchanged through its instrumentality. In that event the price of the articles would be enhanced, so as to require a greater amount of currency to effect their exchange. Should the price not be enhanced in proportion to the diminution in the quantity of the articles, that portion of the currency which would, under such circumstances, be left without employment, would be funded. A just relation between the amount of currency, and the demand for it, would be promptly restored, without affecting, injuriously, the relations between individuals. On the other hand, should a greater quantity of exchangeable articles be produced, the demand for currency would exceed the supply, and lead immediately to additional issues, until the necessary supply should be obtained.

But in a state where banks already existed, which derived their charters from the sovereignty that regulated the currency; where the people were accustomed to bank notes, and in the habit of receiving them, the agency of these institutions might be admitted in supplying a portion of the currency. They might be permitted to issue their notes, payable on demand, in the national currency. Their notes would, of course, be issued on personal security. In this case, the currency might become redundant by the issues of the banks. Whenever this should happen, the national currency would be demanded of them for the purpose of being funded; the banks would be compelled to curtail their discounts, to relieve themselves from the pressure, and the amount of the currency would be promptly reduced to the legitimate demand. Wherever the agency of banks should be employed in furnishing part of the circulation, a refusal, or omission, to discharge their notes on demand, in the national currency, should be treated as an act of bankruptcy. The national currency being a legal tender in the payment of debts to individuals and to the government, would, in relation to the banks, perform the functions of specie, where bank notes are convertible into coin. But in order to impose a salutary check against excessive issues of bank notes, the national currency should alone be receivable in all payments to the government.

In an attempt to trace the probable results of a paper cerrency, founded upon the principles which have been developed in the preceding pages, the influence which it will have upon foreign exchange requires investigation. The want of stability, morality, and intelligence in the government, which may undertake to substitute a paper for a metallic currency, are the objections which have already been considered. To these, according to common opinion, is to be added, the injurious effect which it is supposed, it will have upon foreign exchange. In a country, where the currency is metallic, an unfavorable state of foreign exchange will probably have the following effects:

1st. To raise the price of exportable articles as much above that, which they ought to bear, as the premium paid upon foreign bills, until it exceeds the expence of exporting specie to the foreign market.

2d. When this rise exceeds the expence of such exportation, the price of exportable articles will fall gradually below what they ought to command, to the extent of that excess.

3d. Until this fall in their price shall be effected, specie will be exported; after which it will cease.

4th. This fall in their price, by increasing their consumption in the foreign markets, ultimately provides for the return of the specie which had been exported

5th. During the second and third stages of this process, the price of all articles not exportable, is affected in a greater degree; enterprize is damped, and distress prevails.

Such are the necessary effects of an unfavorable state of foreign exchange, where the currency is metallic. As the vital principle of commerce is gain, it is probable that, generally, the price of exportable articles would, in fact, be rather higher than is stated in the preceding deductions; the timid might export specie, before the premium upon exchange exceeded the expense of its exportation; but timidity is not the predominant characteristic of commercial enterprize.—On the other hand, the sanguine and enterprising, relying upon the chance of better markets, would give higher prices rather than submit to certain loss upon the exportation of specie or the purchase of bills above par.

In a country where a paper currency has been adopted, and the principles by which a redundancy may be prevented, have been enforced, an unfavorable state of foreign exchange will probably have the following effects:

1st. The effect of raising the price of exportable articles, as much above that they ought to bear, as equals the premium upon foreign bills. But, in this case, gold and silver being exportable articles will rise in the same proportion as all other articles.

2 When the price of all articles is raised so high that a loss will be incurred by their sale in a foreign market those who have no remittances to make will withdraw from the competition. If profitable investments in other enterprizes cannot be made, a portion of the currency at their disposition will be